

COUNCIL ON HOUSING
Public Session
Huling Cove Community Building
Lewes, Delaware
April 8, 2009

Action Items

- **Windsor Apartments Loan Request**
- **West End Neighborhood House Security Deposit Loan Program FY09 Grant Request**

John Walker, Chair, called to order the Public Session of the Council on Housing at 2:00 p.m. on April 8, 2009. In addition to Mr. Walker, the following Council members were present:

Russ Huxtable	Bill Pearson
Hugh Leahy	Ralph Peters
Connie Louder	Vincent White
Connie McCarthy	Norma Zumsteg

The following Council member was absent and excused from the meeting:

Ruth Sokolowski

The following also attended the meeting:

Lynda Blythe, Administrative Specialist III, Delaware State Housing Authority (DSHA)
Eric Hart, Application Programmer, Programming Support, DSHA
Jerry Jones, Housing Finance/Development Administrator, DSHA
James Loescher, Housing Project/Loan Manager, DSHA
Tim McLaughlin, Deputy Director, DSHA

Guests present:

William DeMarco, Arbor Management
Rick Grimminger, Advanced Power Control, Inc. (APC)
Gina Miserendino, Delaware Housing Coalition
Guy Pollice, Arbor Management
Joseph Schoell, Esquire, DrinkerBiddle&Reath LLP
Bryan Smallwood, Advanced Power Control, Inc.

APPROVAL OF MINUTES

Mr. Leahy made a motion to approve the February 11, 2009 minutes as amended. Seconded by Mr. Pearson, the motion passed unanimously.

HDF STATEMENT

Mr. Jones, referring to the attached HDF statement, updated Council on changes since the February 11, 2009 meeting:

- Kensington Lane (Item #116) - closing was recently held and debt service has begun.
- King Plaza (Item #118) and Carvel Gardens Annex (Item #119) - were approved by Council in February and now under the "Committed" column.
- Windsor Apartments (Item #120) and West End Security Deposit FY09 (Item #121) - are being presented to Council at this meeting.

Mr. Jones noted the Tax Credit deadline is April 9th and it is anticipated the HDF application list will expand by seven or eight requests.

WINDSOR APARTMENTS FUNDING REQUEST

Mr. Jones presented the request (copy attached) noting:

- The applicant is Leon N. Weiner & Associates on behalf of New Windsor Apartments Associates, L.P.
- The property is an existing fourteen-story high rise with 169 units located in Wilmington.
- The request is for an energy efficiency loan, which is a first for DSHA and Council.
- No HDF funds involved in the current funding for the property.
- The property was refinanced in 2002 as a multi-family bond deal. The Delaware Community Investment Corporation (DCIC) is the primary lender and the development was eligible for tax credits. DSHA is responsible for monitoring the project for tax credit compliance.
- The owner currently pays all utilities. Converting to tenant paid utilities would be an extraordinary expense.
- Proposed work is to provide energy efficiency and fuel/electric savings, approximating \$37,785 annually, through Web-based building automation control.
- The owner has contracted with Advanced Power Control, Inc., which has previously worked for the owner and on many state government buildings.
- The average family annual income of current tenants is \$6-7,000 and all tenants must be below 50% of area medium income.
- The project is HUD subsidized with a contract through 2016 which must be continued by the developer in order to receive DSHA funding.

- The requested amount is for \$280,000 in the form of a HDF mortgage for 20 years at 1% interest.
- The development is to remain low income for 20 years or until the HDF loan is paid in full, whichever is longer.

Mr. White asked if an energy audit had been performed. Mr. Jones responded the audit had been completed and would be paid as part of the loan. The APC representatives responded the estimated savings was based upon applying the savings strategies to be employed in the building to the current energy costs and that an independent third party firm had performed an energy analysis to verify APC's findings. Ms. Zumsteg asked if a projected increase in electricity costs was included in APC's estimate and was told it had not been calculated. Mr. Peters asked if the new equipment maintenance expenses were included in the estimated costs savings. Mr. Jones said they had not but APC representatives assured Council that the equipment is solid state and calibration and maintenance costs, as in older systems, are not required. Mr. White asked about the third party endorsement. Mr. Jones responded the owner had hired an unaffiliated engineering firm to confirm the costs of the installation and that firm concurred with APC's estimate. Mr. Pearson asked if smart meters would be included and if surveillance cameras were included in the package. The APC response was no to both questions. Mr. Pollice stated web-based surveillance cameras are already in place at the property. Mr. White asked that questions and comments be addressed only to the items contained in the presentation.

Mr. Jones stated the following questions were asked during Loan Review:

- Would a subordination agreement be required? Answer: yes, and DCIC has agreed to the subordination.
- Is the 1:10 debt coverage a good number? Answer: yes, staff structured the pro forma so that the 1:10 would be there and it has also been reviewed and approved by DCIC.
- What is the experience of the engineering firm selected? DSHA staff reviewed the firm's resume and contacted other state agencies to confirm the firm's experience and work performance.
- The precedent setting request for an energy savings loan was questioned. Mr. Jones stated there is a possibility more requests of this type might be made and, should that occur, DSHA would perhaps request Council to set-aside a certain amount of funds for such loans. Mr. Jones stated the Loan Review Committee believes this plan might be a good idea and Council concurred.

Mr. Peters asked if the boilers and cooling towers on the property are sufficient for the proposed upgrades. Per APC, the boilers were replaced in 2004, the two fuel pumps were recently replaced, it is an oil-fired boiler system and there are no cooling towers in this project. The air conditioning is individual wall units for each apartment and the cost to individually meter the units is cost prohibitive.

Ms. McCarthy asked for clarification of the subordination agreement. Mr. Jones stated DCIC is the first lender and the HDF loan will be in the second position with a subordination agreement between DSHA and DCIC.

Mr. Huxtable asked if the current pro forma would be manageable without the approval of this funding request. Mr. Jones responded that no equity distribution had been provided within the last few years and that this request is actually two-fold: 1. to make the property energy efficient and 2. assist in cash flow. Mr. Huxtable stated it is his opinion that Council's purpose is to provide more affordable housing rather than improving energy efficiency and questioned if other avenues of funding, i.e. the state energy fund as well as others, had been considered and the response was no. Mr. Jones stated staff would contact the Energy Office to determine whether funding is available for commercial as well as residential properties; and, if so, future energy efficiency requests must include evidence that other areas of funding have been exhausted prior to submittal to the HDF.

Mr. Leahy, speaking on behalf of the Loan Review Committee, stated the items of particular note were the quick payback, the contractor and outside third-party review and the Committee agrees with the viability of the project and the presentation to Council.

Mr. Jones continued that it is the recommendation of staff that the HDF second mortgage loan in the amount of \$280,000 at 1% interest amortized over twenty years be approved subject to the Conditions of Funding as enumerated in the presentation. Mr. White asked that the reading of Resolution No. 384 be waived and made motion it be approved. Ms. Zumsteg seconded the motion and it was passed with Mr. Huxtable casting the only dissenting vote.

WEST END NEIGHBORHOOD HOUSE SECURITY DEPOSIT LOAN PROGRAM FY09 GRANT REQUEST

Mr. Jones began a review of the West End grant request (copy attached) stating:

- Council has funded this program since 1992.
- The request is to provide funding for very-low and low income families who are in need of financial assistance to secure or remain in rental housing.
- Typically 40 loans per year default; however, it is anticipated the number will increase to 50 or 60 due to the current economy.
- 192 loans and grants are projected to be processed this year.
- West End will be reimbursed \$520 per loan or grant as they are closed. Previously West End received quarterly draws based on quarterly benchmarks.

Mr. White asked if financial counseling is or could be part of the requirements to receive assistance. Mr. Jones stated, historically, about two-thirds of the recipients do receive counseling for potential homeownership which involves financial counseling. Mr. Pearson asked if forced savings could be applied to the loan recipients to ensure repayment of the loan to which Mr.

Jones responded probably not since many of these families have very limited income. Mr. Jones explained that the money is loaned by Wilmington Trust who enters into an agreement with the families and should the loan become delinquent after 90 days it is assigned to West End to utilize their default pool for bad debts. Mr. Peters asked what happens to a renter who defaults on a loan. Mr. Jones responded that delinquent renters are evicted per the Landlord Tenant Code; however, depending on the situation, West End will attempt to help them and that there are also other avenues of assistance available. Mr. White believes this is perfect time to require financial literacy training to help mitigate projected defaults.

Ms. Louder asked, noting the salaries listed in the request, if two case managers will be assigned to the program and had Council approved similar funding requests in the past. Mr. Jones responded yes, there are two case managers who accept applications and provide counseling prior to completing the loan with Wilmington Trust. Mr. Jones and Ms. Zumsteg both confirmed Council has, for a number of years, supported this program which helps people from becoming homeless, and that 75% of the families do not default. Mr. White asked if the Loan Review Committee agreed that this request was the best use of funds. Ms. Zumsteg replied, although Mr. White's specific question was not raised, the Committee believes this to be a good and important program.

Item number 8 under the heading "Conditions of Recommendation" is to be deleted as it does not apply.

After much discussion about requiring financial literacy training, Mr. White made motion that the following requirement be added to this and all future requests of this program: "all users of this grant regarding the security deposit loan program are required to avail themselves of financial and housing counseling services per their case manager." Mr. Peters seconded the motion. Mr. Pearson asked that this requirement be put under a category entitled "Performance Measures". Mr. Peters clarified for Mr. Pearson that the requirement is not a performance measure but a requirement to obtain the loan. The motion was unanimously passed.

Mr. White moved, and Mr. Peters seconded, that the reading of Resolution #385 be waived. Mr. Jones reminded Council that the above-stated language by Mr. White needed to be added to the Resolution; and, with that addition, Council unanimously passed Resolution #385. Item number 8 of the Resolution will be removed as it was in the presentation under "Conditions of Recommendation". Mr. Jones assured Council that West End would be advised of the additional requirement by way of a copy of the revised Resolution and that monthly status reports would be received from them.

DIRECTOR'S REPORT

Mr. McLaughlin, in Mr. Ben Addi's absence, gave the following report:

State Budget and DSHA Budget

- The state is struggling with the fiscal year 2010 budget and its over \$750 million deficit.
- DSHA's requested \$4 million base budget has thus far been maintained in the budget.
- The \$25,000 funding for administration of the Neighborhood Assistance Act has been cut; however, DSHA will be able to maintain the program.

Bond Bill

- DSHA is scheduled to go before the Bond Bill Committee at 10:30 a.m., April 27th in the JFC room of Legislative Hall.
- The requested \$2.5 million set aside for preservation is still in the Bond Bill but is at high risk of being cut or deleted completely.
- All Council members are encouraged to attend the hearing. Mr. Heckles will work with Mr. Walker and Ms. Zumsteg to assure formal testimony will be given.

Federal Stimulus

- DSHA, along with the other jurisdictions in Wilmington and New Castle County, held an open forum for the public and interested parties in affordable housing on April 7th in Wilmington detailing information that is known to date.
- A diverse group of approximately 45 people individuals from the private sector, non-profit sector and public sector attended, including Council members Pearson and White.
- A second open forum will be held April 9th at the Del Tech-Terry Campus in Dover from 9 a.m. until 12 noon.
- A web page and survey through DSHA's website has been established to solicit thoughts and ideas from the public as to how DSHA should spend the stimulus dollars.
- All comments and ideas from the forums and website survey will be reviewed.

Mr. Pearson asked if the input would or could be made public. Mr. McLaughlin responded DSHA intends to keep a record of comments and may post them on its website. Mr. McLaughlin also stated that, once the rules for handling the stimulus funds are known, additional public forums will be held and the previously received comments will be presented at that time.

Tax Credits

- Applications are due April 9th.
- Seven or eight applications are anticipated.

Mr. Leahy asked what the approximate amount of money requested will be. Mr. Jones replied it is unknown. Mr. White noticed the deadline for applications had been extended and asked how this was communicated to interested parties and if Council was notified. Mr. McLaughlin responded notification was made via DSHA Highlights and directly through a distinct developer list serve. Ms. Louder confirmed that Council members did receive the extension notification.

OTHER BUSINESS

Mr. Walker stated Council had received a thank you letter from Mr. Ben Addi for Mr. Walker attending and speaking on behalf of DSHA at the February JFC public hearing. Mr. Walker noted several other Council members also attended the hearing.

Ms. Miserindino distributed a flyer (copy attached) announcing the Delaware Housing Coalition annual Day for Housing to be held May 5, 2009 at the Modern Maturity Center in Dover. Ms. Miserindino also stated the DHC will be releasing the Fair Share Measure DHC had been working on in a Good Neighborhood campaign and that all information can be found on DHC's website.

Mr. Walker stated he had met with Mr. Pearson in March to discuss various items and agreed that Mr. Pearson could give a short presentation to Council at this meeting. Ms. Zumsteg inquired as to the subject of the presentation. Mr. Pearson responded the focus is matters relating to housing as well as Mr. Pearson's concerns regarding the Council's mission.

Mr. Pearson stated he would be recording his presentation for his benefit to which Mr. White opposed. After discussion by all, Mr. Pearson agreed not to use his personal recorder.

Mr. Pearson gave his presentation (copy attached) noting his concerns as follows:

- Council is not following its By-Laws as mandated.
- Better use of technology for Council communication is needed and will be discussed at a later date.
- Council is ignoring specific matters relating to housing as defined in the December 2008 Transition Report by Sandy Johnson, the Council's first Annual Report to the Governor and Governor Markell's Transition Team report.
- Cancellation of Council meetings.
- The upcoming stimulus funding and developing its form of usage is a distraction from Council's need to research and find more funding for DSHA.

- Utilizing current technology, DSHA should become the leader in creating a statewide universal intake system for all individuals needing assistance.

Concluding his presentation, Mr. Pearson stated Council should either change to meet its purpose as defined in the By-Laws or remain status quo. Final suggestions made by Mr. Pearson are:

1. The COH Chair, or h/his designee, after collaborating with the three Committee Chairs take responsibility for prioritizing projects and agendas and communicating them directly to COH members.
2. Change the format, time allocated, of the COH: 50% time for Housing Matters & 50% time for HDF programs (Details of HDF topics should be e-mailed to us; one week in advance of our meetings).
3. Add Internet video to all of our COH meetings. Encourage attendance and participation by housing advocates in all three Counties.
4. Invite each COH member to pick an issue and act as Project manager in the: STUDY, RESEARCH, PLAN, & ADVISE phases.
5. Research the Internet tools available to us and select one or more as a way to become more effective and efficient in the way we communicate with each other.

Mr. Peters commented that, although there were some items in the Governor Markell Transition Team report that concerned him, he could not agree with Mr. Pearson's priorities as presented. Continuing, Mr. Peters stated his opinion is not that Council's primary responsibility is to raise money for DSHA; but, rather, to become more active in determining how the funds are spent while lending support to DSHA. It is also Mr. Peters' opinion that better communication is a secondary purpose and will come without spending massive amounts of time researching communications channels and methods. Council's fundamental purpose, Mr. Peters continued, is to help define policy and help make decisions as to how the policy is implemented with respect to the state's housing needs. Mr. Pearson countered that he did not mean to imply Council should be raising funds but find new ways to obtain them and that he had chosen two of the many suggestions as examples of projects which Council should study, research, plan and advise. Mr. Peters stated he felt as if Council were being placed in a lobbying position with which he did not approve. Mr. Pearson also stated Council was addressing the needs of only low and very-low income Delawareans instead of all who need housing. Ms. Louder took exception to Mr. Pearson's statement informing him that Council is loaning funds to the Delaware Federation of Housing Counselors who assist anyone becoming a first-time homebuyer. Mr. Huxtable also noted staff participates in The Preliminary Land Use Service (PLUS) review meetings which incorporate all agencies in the state.

The next topic of discussion, presented by Mr. Walker, was regarding a Council retreat, when it should be held and what topics should be on the agenda. Ms. Zumsteg asked what would be the focus of the retreat. Mr. Walker responded the focus would be to address some of the issues brought up in Mr. Pearson's presentation, as well as indoctrination and planning. After much discussion it was agreed that Mr. Walker would email a reminder to all members to provide their thoughts and ideas as to the structure, purpose and outcomes of the retreat, as well as its timing.

Mr. Walker asked the Council to respond in time for a discussion on this matter at the May 13th meeting.

Mr. Pearson reminded Council that the end of this fiscal year is June 30th at which time preparation of their next Annual Report is to begin.

Mr. Heckles will email to each Council member a copy of the three reports referenced in Mr. Pearson's presentation.

Ms. Zumsteg asked what thoughts Mr. Ben Addi might have for Council to consider while planning the retreat. Mr. McLaughlin stated he felt Mr. Ben Addi would probably, rather than giving direction, be more interested in the direction in which Council is working and the relationship between DSHA and the Council and their respective roles.

OPERATIONS COMMITTEE REPORT

Ms. Louder gave the following report for the committee:

1. The draft Conflict of Interest policy produced by the Operations Committee, with assistance from Mr. Heckles and Mr. Schoell, was distributed (copy attached).
2. Council members were asked to review the policy and send their comments to Mr. Heckles prior to the May 13th meeting at which time its approval will be requested.
3. A membership composition, i.e. skills, assets, talents, etc., to be established for new Council members. Council's suggestions will also be requested and discussions in this matter should begin in May.
4. The finalized membership composition will be sent to the Governor's office.

Mr. Pearson reminded Ms. Louder that a such a list was included in one of the previously referred to reports. Ms. Louder stated she would research that list but it is the intention of the Committee to send the information via letter to the Governor.

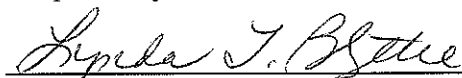
SCHEDULING OF NEXT MEETING

The next Council meeting is scheduled for Wednesday, May 13, 2009, at 2:00 p.m. at Liberty Court in Dover.

ADJOURNMENT

Upon motion made by Ms. Zumsteg, and seconded by Mr. Peters, the meeting was adjourned at 4:00 p.m.

Respectfully submitted,


Lynda T. Blythe

Note: Copies of materials referenced as "attached" in these Minutes are available upon request.